

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

RH05043033

October 11, 2005

INITIAL STATEMENT OF REASONS

Proposed Amendments to CAARP Plan of Operations and the CAARP Rules and Rates Manual

PURPOSE OF THE REGULATION

Pursuant to California Insurance Code Section 11620 California Insurance Commissioner John Garamendi will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan ("CAARP" or "Plan") to amend the Plan of Operations and the CAARP Rules and Rates Manual.

NECESSITY OF REGULATION

CAARP Rules and Rating Manual

Rules 21 and 26 would be amended to add uninsured motorist and medical payments coverage for named nonowner risks. When the CAARP Plan of Operations was implemented Section 25, Extent of Coverage, required coverage to include uninsured motorist and medical payments coverage. Currently Rules 21 and 26 only provide bodily injury and property damage liability coverage. The proposed amendment will add the required language to both Rule 21 and 26 allowing compliance with the Plan of Operations.

Rules 57 and 141 would be amended to address an inconsistency between the two rules in the manual on the rating of uninsured motorist insurance for motorcycles used for commercial purposes. To ensure consistency the Note on Rule 57 would be revised to indicate the use of the Class 3 rates apply so that it is the same as the Class 3 rate for motorcycles used for commercial purposes in Rule 141. The rate considered is the same rating procedure used for bodily injury, property damage and medical payments named non owner risks.

Rule 94C.2.n Bingo Bus classification would be amended to specify that it would be used to rate non-profit organizations to transport people to stand alone or church related bingo/halls or events within a 50 mile radius. This is CAARP's second attempt at amending Rule 94. CAIP providers have complained that many bingo buses were actually disguised as gambling tour buses. The bus would advertise itself as a bingo bus but would actually be driving, sometimes hundred's of miles, to casinos that offered games in addition to bingo. Normally the bus would be classified as a charter, but as a bingo bus, the company would claim it was entitled to a reduced premium. CAARP's initial response was to try to eliminate the classification altogether. After receiving over 25 comments from bingo bus operators and a report from CAARP that found that two

buses were actually operating a bingo bus, the Department disallowed the amendment. Following the Department's recommendation CAARP has proposed revised language to address the Department's previous concerns.

Rule 94C.2.q will add a new use classification for paratransit autos. The fleet and nonfleet primary classification tables are amended to provide factors for paratransit autos. Currently this type of vehicle is classified under Rule 133 Ambulance Classification non emergency vehicles. CAARP has proposed amending Rule 133 eliminating the non emergency classification from the rule. CAARP previously tried to amend Rule 133 eliminating the non emergency classification but the Department denied CAARP's original request because of concerns the non-emergency class vehicles would not be classified and then unable to obtain insurance. Proposing this new class CAARP is trying to address the Department's original concerns.

Rule 133 would amend the Ambulance Classification in order to better define what type of vehicle should be rated in this classification. CAARP's reasoning for the amendment is that vehicles that have received this classification are not being used as a traditional ambulance. This new rule will delete the ambulances not used for emergency purposes section of Rule 133. CAARP previously tried to amend the rule and the Department did not endorse the change because it eliminated the non emergency classification type altogether. CAARP has tried to address that with the addition of Paragraph C.2.q in Rule 94, which creates a new paratransit classification for the non-emergency ambulances.

CAARP Plan of Operation

Section 14 will authorize statistical agents to estimate data to be used for quota determination. Currently statistical reporting requirements do not address the estimation of voluntary base data and/or Automobile Insurance Plan fulfillment data by statistical agents under certain circumstances. These circumstances include insurers that fail to report required data or if in the reasonable judgment of the statistical agent and AIPSO the data the insurer reports is inaccurate. The new data will resubmitted to AIPSO in accordance to Plan rules.

Section 16 will require that any undisputed premium owed to the insurer or servicing carrier be paid during the appeal process. The current appeals procedure does not address the issue.

Sections 20 and 47 will delete language pertaining to returning policy change requests if the deposit check is absent or NSF. Section 47 will eliminate the requirement that faxed requests be held until the deposit check is received. Both amendments require servicing carriers to process policy changes on a timely basis. This amendment will ensure that policies that request changes will have immediate coverage.

Sections 23 and 41 will delete the request for an applicant's odometer reading and license plate number that were included in the new CAARP Regulations for both private

passenger and commercial applications. CAARP applicants are not required to provide that information.

Section 37 and 54 will require that the timeliness of renewal payment be determined based on the postmark data appearing on the transmittal envelope. The renewal procedures in the new regulation use both date of receipt of the renewal premium and a postmark requirement to determine the timeliness of the payment. This will ensure consistency in the handling of all renewal premium deposits.

Section 41 and 43 will delete uninsured motorist property damage coverage that was inadvertently included in the Commercial Part of the Manual.

Section 40 will clarify that Risk Purchasing Groups that have applied to CAARP are not eligible for group coverage through CAIP.

Forms

Currently a procedure is in effect addressing changes in legal status and ownership for commercial risks. Guidelines are provided for applicants, producers and servicing carriers with respect to exposures subject to experience rating. CAARP has provided to the Department for review the Name and/or Ownership Change Form for concurrent use with this procedure.

To help determine qualified serving carriers CAARP has developed an outline for the business plan. The outline provided requests specific information regarding the prospective servicing carrier's underwriting, auditing, claims, loss control and account and statistical reporting operations. The submission of a business plan is part of the servicing carrier selection criteria.

IDENTIFICATION OF STUDIES

The proposed amendments rely upon the expertise of CAARP's Advisory Committee. Other than the accompanying explanatory memorandum and exhibits, however, no studies have been submitted for this proceeding.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed changes would not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner invites public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes.

ECONOMIC IMPACT ON BUSINESS

The Commissioner has initially determined that the proposed changes will not have a significant adverse economic impact on businesses. However certain bingo buses and ambulances may see

premium changes. The Commissioner invites interested parties to comment on whether the proposed changes will have a significant adverse economic impact on business.